

**Medium Term Financial Strategy
Budget 2017/18 Phase One Proposals
Document from Cabinet**

October 2016

**STRICTLY EMBARGOED UNTIL
5pm on 28 October 2016**

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1. INTRODUCTION

This document sets out the first of two sets of budget proposals that will be considered by Cabinet to ensure Peterborough City Council has a balanced budget for 2017/18.

These proposals have been set in the context of the incredibly challenging financial position that all councils face. Peterborough is no exception to this. Since the financial crash of 2008, the public sector has seen unprecedented reductions in funding.

In the six years to 2016/17, the council has seen its government funding cut by £54million, which equates to nearly 50 per cent of its government grant. When you include the financial pressures the council has tackled alongside reductions to grant – a total of £158million has been saved since 2010. The council is expecting grants to be reduced further by £7.5million next year.

The government will also set out plans to deliver further spending reductions in the Autumn Statement on 23 November 2016. The Local Government Finance Settlement will follow this sometime near Christmas or early in the New Year. As such there remains uncertainty as to the amount of government grant Peterborough will receive in 2017/18 and onwards.

Our current estimate is that we will need to find nearly £19million of savings and efficiencies for next year to balance our books, or generate additional income to offset the reduction in our budget while protecting services for residents. We will also continue to invest in the city to ensure Peterborough is a great place to live, work, visit and stay.

In doing so, the council maintains its unerring focus on three big issues for the people of Peterborough – prosperity, education and quality of life. These issues are at the heart of everything the council does and in particular how we make increasingly difficult decisions about where to spend the money we have available to provide services.

We are also committed to delivering improved efficiency ahead of any reduction to services. In the 2016/17 budget there were no reductions to services, despite increasing pressure on services and severely reduced government funding. In fact, there were a number of investments in services including subsidised bus routes, street cleansing, a city-wide spring clean and park improvements.

Cabinet has also approved the council's efficiency strategy, outlining how we have delivered improved services and saved money, as well as how we intend to tackle the challenges moving forward. The strategy can be found by visiting www.peterborough.gov.uk/CouncilFinances

The first set of budget proposals, published on Friday 28 October 2016, sets out how the council will make savings totalling £10million. The current budget plans assume further use of £9million from the Grant Equalisation reserve to balance the budget. In later years, as there are further grant reductions, this budget gap widens further. Given this, along with the fact that reserves can only be used once, the council will look to bring forward further savings in phase two in the new year. This will aim to reduce the reliance on reserves and help close the budget gap in future years.

To be clear, we still have tough challenges ahead. However, with a clear vision for the future and careful financial management we believe we will see the city continue to develop into the strong and vibrant community we all want. This vision has already achieved the following for the benefit of the city;

- Peterborough is one of the fastest growing cities in the UK.

- Peterborough is the UK's first Gigabit city with some of the fastest internet speeds in the country.
- Unemployment continues to fall as new jobs are created. The number of residents claiming Job Seekers' Allowance is 3,000 lower than just three years ago.
- More than 90 per cent of schools in Peterborough are now rated good or outstanding by Ofsted - above the national average and the highest ever achieved in the city.
- The city council's energy tariff, Peterborough Energy, has saved residents who have switched a combined £1.3million. More than 5,000 households get their gas and electricity from Peterborough Energy.
- All of our libraries remain open and through self-service technology we have extended opening hours. Local authorities across the UK want to adopt this innovative technology.
- City centre regeneration has continued to attract new businesses and investment to Peterborough. Projects are currently underway on Lower Bridge Street and Bishop's Road.
- A project to upgrade the Fletton Parkway was completed earlier in 2016 and has, in part, helped to attract a number of new businesses and jobs to the city including House of Fraser.
- Plans to regenerate Fletton Quays were approved earlier in 2016 and work is due to begin on the site imminently. The scheme is led by the Peterborough Investment Partnership, of which the council is a joint partner.
- Peterborough is ranked fourth in the UK for the annual growth in the city's housing stock. In a bid to further increase the number of homes constructed in the city, the council and Cross Keys Homes are creating a joint company that will build new houses in Peterborough.

On Friday 28 October 2016 the council launches a city-wide budget consultation to find out what local residents and business people think about the initial proposals presented in this document. More information is available on page eight.

This document does not seek to outline all of the services we provide or how our total budget is spent. Rather it outlines the financial challenges we face and how we intend to respond to these challenges. A chart on page twelve (Appendix 1) outlines our total budget for 2016/17 of £163.4m and how much is spent in each department.

We have also included some of the investments we are intending to make in the coming year.

We aim to be open and transparent about our proposed spending plans and publish the first round of proposals at this time to give residents, partner organisations, businesses and other interested parties the chance to give their comments.

2. APPROACH TO TACKLING THE FINANCIAL GAP

This document outlines the Cabinet's first phase proposals for how we will tackle the financial gap. These proposals demonstrate the Cabinet's commitment to protect, as far as possible, the services you care about the most and our vision for the city.

Our approach is now focused on the following:

- Building a **strong and healthy economy** which provides jobs for our residents and helps to reduce dependency on welfare benefits. The council would then benefit financially from business rates, additional council tax receipts and the New Homes Bonus, and reinvest this to support the needs of our residents. While growth can bring additional income for the council, it also creates pressures on services.
- **Generating income** in new ways to make the council less dependent on government funding. New income will also give us the independence to support our residents and their needs. Ways we can generate income include selling our services to other authorities, such as planning, legal and regulatory services, and through innovative energy schemes. We will also look at how we use our assets most effectively to generate a return for the council.
- Changing our culture to be **more enterprising** as a council by looking for ways to improve value for money and reduce costs.
- **Changing the way we deliver services and the way we work.** We intend to reduce the demand residents have for our specialist services by enabling them to live independent and healthy lives. Providing the right support at an early stage should reduce how often residents need critical and more expensive services. Where there is a need for specialist services, we need to ensure that they properly meet residents' needs.
- **Innovative use of technology.** This will underpin our overall approach. As a council we are recognised as a leader in this field and we will continue to identify, and take advantage of, the benefits that new technology brings.

3. PRIORITIES

The Cabinet remains firm in its priorities this year against the funding challenges it faces. It is worth reiterating those priorities:

- Growth, regeneration and economic development of the city to bring new investment and jobs. Supporting people into work and off benefits is vital to the city's economy and to the wellbeing of the people concerned.
- Improving educational attainment and skills for all children and young people, allowing them to seize the opportunities offered by new jobs and our university provision, thereby keeping their talent and skills in the city.
- Safeguarding vulnerable children and adults.
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental matters, including reducing the city's carbon footprint.

- Supporting Peterborough's culture and leisure trust, Vivacity, to continue to deliver arts and culture.
- Keeping our communities safe, cohesive and healthy.
- Achieve the best health and wellbeing for the city.

4. COST INCREASES AND PRESSURES

Alongside the unprecedented reductions in funding, we are also experiencing significant financial pressures. We have a range of statutory services that we are required by law to provide, and demand for these services is increasing. In some cases, changes in legislation also brings additional costs. Whilst there are considerable pressures in the budget, nevertheless there is still a strong commitment by the Cabinet to invest in priority areas.

This document, therefore, also outlines the financial pressures we are facing which we need to fund. Some of the most significant are outlined below:

- The government has announced that it intends to change legislation so that councils are required to offer support to care leavers until the age of 25. Presently we provide this support until they reach 21. This proposed change has the potential to more than double the number of young people the council supports after leaving care at the age of 18.
- A continued rise in the number of unaccompanied children seeking asylum who we have a statutory duty to care for.
- An increase in pension costs arising from the three yearly valuation of the pension fund.

We remain fully committed to the growth, regeneration and economic development of the city to bring new investment and jobs. We want to build upon the progress we have made in the past year in bringing new companies into the city by continuing to position Peterborough as the destination of choice, not only for our own residents, but also for visitors and investors in the future.

5. IMPLICATIONS ON COUNCIL TAX

Council tax bills are made up of council charges and charges from other public bodies to fund their services. The remainder of the bill paid by Peterborough residents funds police, fire and parish councils, with each authority setting its own council tax charge.

We continue to have one of the lowest council tax levels in the country. Out of 56 unitary authorities across the country, Peterborough has the fifth lowest council tax (£121 per year lower than the English average and £344 lower than the most expensive).

The council has chosen to freeze council tax in four of the last six years. If the council hadn't chosen to freeze bills for residents, and instead increased council tax by the government threshold each year, a Band D property would have been paying an extra £116 in council tax a year.

Unlike in earlier years, we expect that the government's council tax freeze grant will no longer be available in 2017/18. Freeze grants were in place to mitigate the financial impact from not increasing

council tax, allowing councils to freeze council tax whilst still receiving an increased level of income. As this is no longer an option, alternative positions must be considered.

Given the scale of the challenges that the council faces going forward, the desire to keep council tax unchanged must be offset against the need to protect vital services. The current Medium Term Financial Strategy assumed a two per cent increase in council tax. Therefore, having fully considered the level of pressures identified and savings required, it is proposed that council tax rises by four per cent, which includes an Adult Social Care Precept of two per cent.

The Adult Social Care Precept was introduced by government as part of the Provisional Local Government Finance Settlement for 2016/17. Local authorities were given the flexibility to levy an extra two per cent 'precept' on residents to fund the increasing demands for Adult Social Care. This money can only be spent on Adult Social Care, and must continue to be spent on Adult Social Care in the future.

Government expects all local authorities with responsibility for Adult Social Care to levy the Adult Social Care Precept, and in 2016/17, 95 per cent of councils did so.

Peterborough is one of the fastest growing cities in UK. Between 2010 and 2021 it is predicted that the number of people aged 85 and over is set to increase by 52 per cent. As life expectancy increases older people are living with multiple long-term conditions associated with ageing. For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK.

Between 2014 and 2020 we expect the number of people in Peterborough living with dementia will increase by 15 per cent. There are also growing numbers of residents in Peterborough living with a learning or other disability. Further pressures on our Adult Social Care budget come from the increase in the national living wage and changes to legislation, such as those linked to Deprivation of Liberty Safeguards.

This proposed four per cent increase would mean that overall the Band D council tax charge would rise from £1,173.04 to £1,219.84 per year - an increase of 90p per week. The average property in Peterborough is in Band B, meaning council tax would rise from £912.37 to £948.76 per year - an increase of 70p per week. The council tax bill that households in Peterborough receive also includes elements from police, fire and in some cases parish councils. The actual increase that households face will depend on decisions taken by these bodies.

The government continues to set limits on the maximum increase in council tax. As before, if any council proposes an increase higher than two per cent (excluding the Adult Social Care precept), they are required to put the matter to local taxpayers through a referendum. The final council tax charge will be agreed by Council on 8 March 2017.

It is also proposed that the Adult Social Care Precept of two per cent will also be levied in 2018/19.

It must be noted that where pensioners are in receipt of full council tax support, this support will remain and they will not be impacted by any increase.

6. OVERALL BUDGET POSITION

The table below outlines the financial challenge the council faces. The reduction in grants and pressures faced mean the council needs to find savings of nearly £19m next year. Further grant reductions in the following year increase the budget gap to nearly £27m.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Opening Budget before the GE reserve	15,289	24,347	31,170	33,807	34,285
Planned use of the GE reserve	(11,188)				
Opening Budget Gap (2016/17 Strategy)	4,101	24,347	31,170	33,807	34,285
Phase 1 - Pressures	3,330	2,377	2,844	3,136	3,428
Phase 1 - Investments	182	272	330	352	352
Add back planned use of the GE reserve	11,188				
Initial Budget Gap	18,801	26,996	34,344	37,295	38,065

The next table outlines the position if all phase one proposals are accepted. The phase one budget position is currently balanced with the use of £8.9million of the Grant Equalisation reserve. The budget gap in 2018/19 is £17.8million. Further urgent work is needed in phase two to reduce the reliance on reserves, and to help close the budget gaps in following years.

The Cabinet remains committed to taking the decisions and actions necessary to deliver financial sustainability for the council.

Initial Budget Gap	18,801	26,996	34,344	37,295	38,065
Phase 1 - Efficiencies	(2,692)	(3,729)	(3,410)	(3,507)	(4,060)
Phase 1 - Income	(7,256)	(2,870)	(2,718)	(2,720)	(2,722)
Revised Budget Gap	8,853	20,397	28,216	31,068	31,283
Use of the GE reserve (£11,444)	(8,853)	(2,591)			
Total Budget Gap	0	17,806	28,216	31,068	31,283

7. BUDGET CONSULTATION

The Cabinet wants to hear the opinions of all residents, partner organisations, businesses and other interested parties as part of the budget setting process.

People will be able to give their opinions by completing an online survey on the city council website - www.peterborough.gov.uk. Hard copies of the consultation document will also be available from the receptions of the Town Hall, Bayard Place and all city libraries.

Comments received up to 5pm on Thursday 1 December 2016 will be considered by Cabinet on Monday 5 December 2016.

The consultation will close at 5pm on Monday 12 December 2016. Council will consider the phase one proposals on Wednesday 14 December 2016.

The Budget Conversation will ask the following questions:

1. Do you have any comments to make about the first phase budget proposals?

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2. Having read the first phase proposals document, how much do you now feel you understand about why the council must make savings of almost £19million in 2017/18? Tick the answer you agree with.

- A great deal
- A fair amount
- Not very much
- Nothing at all

3. If you have any specific ideas about how the council can save money or generate additional income to protect services, please state these here:

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So that we can check this survey is representative of Peterborough overall, please complete the following questions.

Are you?

Male

Female

Please tick which of the following best describes who you are:

Resident

Business person

Member of council staff

City councillor

Work, but don't live in Peterborough

Member of community or voluntary organisation

Regular visitor

Other (please state).....

Which of these age groups do you fall into?

Under 16

16 to 24 years

25 to 34 years

35 to 44 years

45 to 54 years

55 to 64 years

65 to 74 years

75 years or over

Prefer not to say

What is your ethnic group?

A White

English/ Welsh/ Scottish/ Northern Irish/ British

Gypsy or Irish Traveller

Any other white background

B Mixed/ multiple ethnic groups

White and Black Caribbean

White and Black African

White and Asian

Any other mixed/ multiple ethnic background

C Asian/ Asian British

Indian

Pakistani

Bangladeshi

Chinese

Any other Asian background, write in

D Black/ African/ Caribbean/ Black British

African

Caribbean
Any other Black/ African/ Caribbean background

E Other ethnic group
Any other ethnic group

Do you consider yourself to have a disability?

Yes.....

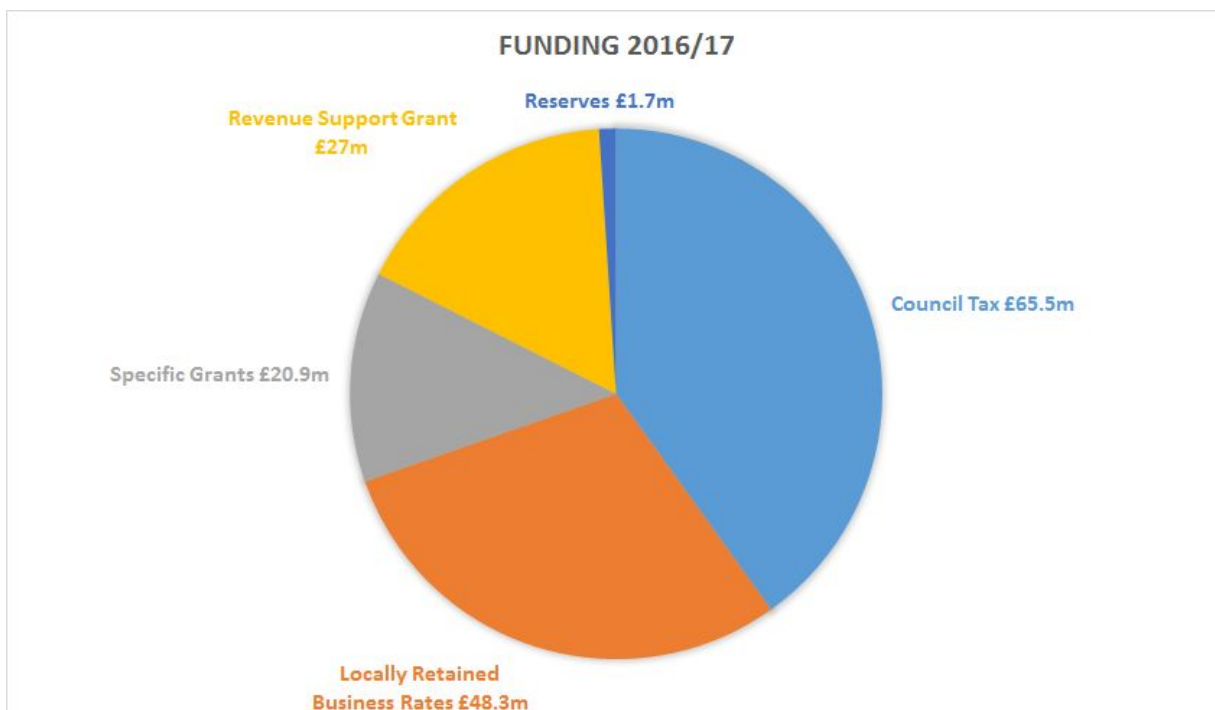
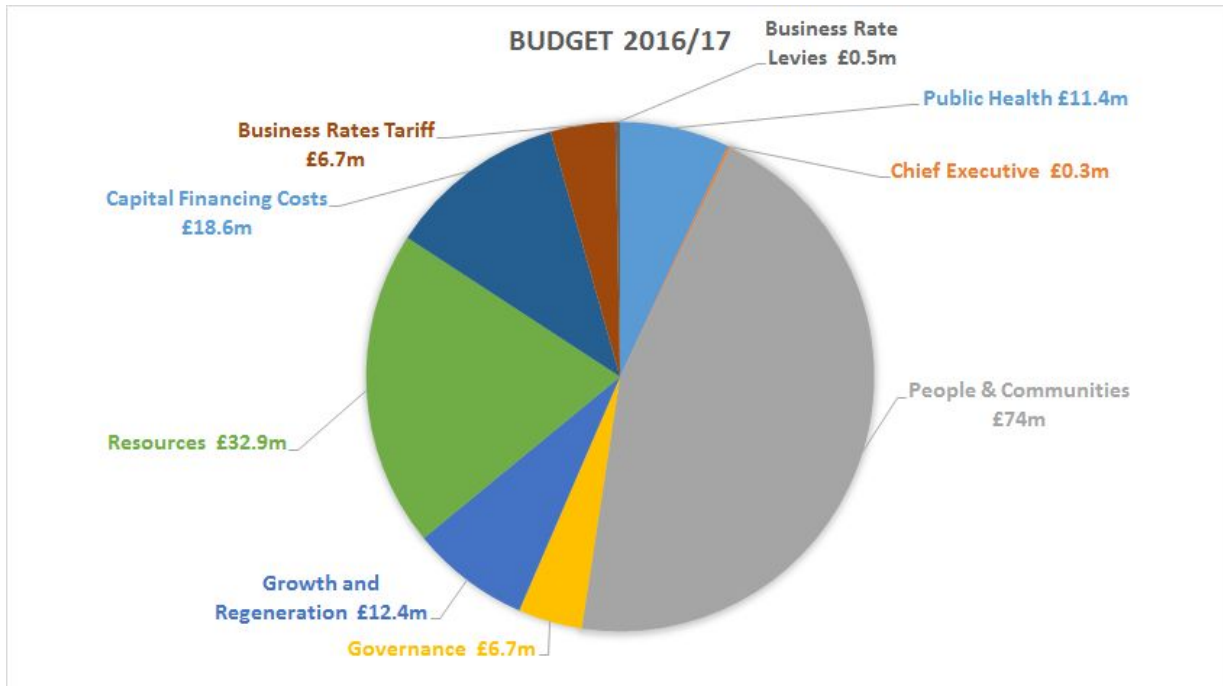
No

Thank you for taking the time to complete this survey

Please hand this completed questionnaire into either the reception desks of the Town Hall or Bayard Place. Alternatively they can be returned by post to: Communications Team, Peterborough City Council, Town Hall, Bridge Street, Peterborough, PE1 1HG.

APPENDIX 1 – OVERALL COUNCIL BUDGET AND FUNDING

The council’s total net budget in 2016/17 is £163.4 million (this excludes school budgets and expenditure and funding for housing benefits).



APPENDIX 2

PEOPLE AND COMMUNITIES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

The People and Communities directorate is responsible for ensuring the needs of our residents are met, particularly those that are most vulnerable. The department works with adults, children, families and communities, including schools, health services and the police.

SAVING - REVENUE

Shared director loan arrangement

In October the city council's corporate director of people and communities temporarily took charge of children, families and adult services at Cambridgeshire County Council. This loan arrangement will save the council £89,309 a year. The saving listed below is based on the arrangement being in place for six months of the 2017/18 financial year, but at this stage no end date has been set so this figure could reduce or increase.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Shared director loan agreement	-45	0	0	0	0

Adult Social Care

Adult Social Care is responsible for providing council-run services and buying in and overseeing services from a range of organisations for the people of Peterborough. Those services include assessing and reviewing people's needs and managing their care, safeguarding adults who could be at risk of abuse, and providing intensive support to help people get over a fall or an illness to reduce their need for long-term care, known as re-ablement. We provide services or direct payments to ensure ongoing long-term support for those with physical, learning and mental health difficulties and other complex needs. We also support people in reaching their potential for independence over a longer period.

Private, independent and voluntary sector organisations help us support people to maintain their independence and stay in their own homes through a range of residential, home-based and community support services.

Our assessment and care delivery services for people with mental health needs are provided by Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

The budget proposals protect funding for the most vulnerable adults and focus on helping people to live independently for as long as possible.

SAVINGS – REVENUE

Adult Social Care Precept

The Adult Social Care Precept was introduced by government as part of the Provisional Local Government Finance Settlement for 2016/17. Local authorities were given the flexibility to levy an extra

two per cent 'precept' on residents to fund the increasing demands for Adult Social Care. This money can only be spent on Adult Social Care, and must continue to be spent on Adult Social Care in the future.

Government expects all local authorities to levy the Adult Social Care Precept, and in 2016/17 95 per cent of councils with responsibility for Adult Social Care did so.

Peterborough is one of the fastest growing cities in the UK. Between 2010 and 2021 it is predicted that the number of people aged 85 and over is set to increase by 52 per cent. As life expectancy increases older people are living with multiple long-term conditions associated with ageing. For example, supporting people with dementia is a growing pressure on Adult Social Care budgets in the UK. Between 2014 and 2020 we expect the number of people in Peterborough living with dementia will increase by 15 per cent.

There are also growing numbers of residents in Peterborough living with a learning or other disability. Further pressures on our Adult Social Care budget come from the increase in the national living wage and changes to legislation, such as those linked to Deprivation of Liberty Safeguards.

Therefore this proposal seeks to levy the Adult Social Care Precept of two per cent.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Adult Social Care Precept 2017/18	-1,287	-1,331	-1,333	-1,334	-1,335

It is also proposed that the Adult Social Care Precept of two per cent will also be levied in 2018/19, having the following impact on the council's budget.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Adult Social Care precept 2018/19	0	-1,334	-1,380	-1,381	-1,382

Better Care Fund

The Better Care Fund, announced by the government in June 2013, transfers funding from the health service to local authorities. The fund enables the council to protect vital Adult Social Care services at a time when local authority grants are reducing. It also enables both sectors to jointly agree how money is spent. The funding is to encourage more joined-up health and social care services and to reduce admissions to hospital, which will benefit individuals and reduce costs to the council and health service.

It is vital to protect social care services at a time when the population is growing. There are more people with long-term conditions and the population is living longer. In addition, funding is allocated to bring about lasting transformation to health and social care services.

This Better Care funding produces a saving for the 2017/18 budget of £1.7million, the majority of which offsets the reduction in government grants to the local authority, ensuring we can continue to provide vital services for those who need our care and support. £1.3 million will be invested in services as detailed in the section below on investment for Adult Social Care (this is on top of investment of £0.9m approved in previous budgets).

As plans are subject to agreement with the Cambridgeshire and Peterborough Clinical Commissioning Group on an annual basis, we are including figures one year ahead only.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Better Care Fund	-1,689	0	0	0	0

INVESTMENTS - REVENUE

Better Care Fund

The Better Care Fund, announced by the government in June 2013, transfers funding from the health service to local authorities. The fund enables the council to protect vital Adult Social Care services at a time when local authority grants are reducing.

The Better Care funding received by the council for 2017/18 will be used to support existing Adult Social Care services. However we also propose to invest £1.35m to bring about transformation within health and social care services.

Investment proposals include developing the use of assistive technology for service users and working with our health partners to build capacity to support communities to be able to support elderly or frail adults. This support would include helping elderly or frail adults to remain living at home for as long as possible, and where they have to get into hospital, to allow them to be discharged as soon as it would be safe to do so.

Issue	2016/17 £k	2017/18	2018/19	2019/20	2020/21
Better Care Fund	1,355	0	0	0	0

Education

This service is responsible for working with schools in Peterborough to provide the best possible education for children and young people. This includes providing a range of support for pupils with special educational needs, challenging schools and ensuring schools are providing the best educational opportunities for children and young people to help them reach their full potential. Significant improvements have been made in recent years with the percentage of schools rated good or better by Ofsted now exceeding all our neighbours and above the England average.

There have also been significant pressures arising from the increase in the population of Peterborough. This has particularly impacted upon education, both in terms of school places and also the need to provide services to a greater number of children and young people.

SAVINGS - REVENUE**Charging schools converting to academies**

Just over a quarter of the city's schools are academies meaning they run independently of the city council and receive funding directly from government. More and more schools are choosing to become academies.

When a school converts to an academy there are costs associated with the administration, procedure and legalities, for example the transfer of land, buildings and finances. To date, officers of the council have provided this work and these services free of charge.

However, with more schools choosing to pursue academy status it is proposed that the council charges a fee of £5,000 to cover its costs for providing this help and support. The forecast assumes that one school per year transfers to academy status.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Charging schools converting to academies	-5	-5	-5	- 5	- 5

Children's Services

Children's Services provides early help and safeguarding services to the most vulnerable children and their families, including children with disabilities and emotional and physical needs.

The budget proposals protect funding for education and children's social care services as they both remain key priorities for the council.

Children's Services is responsible for overseeing and providing services for families and children in Peterborough. We do this through:-

- Providing children and families with early support
- Helping families with problems and keeping children safe
- Giving the best opportunities to children and young people in care
- Working with schools and others to make sure that children succeed

INVESTMENTS - REVENUE**Leaving care at 25**

The government has announced that it intends to change legislation so that councils are required to offer support to care leavers until the age of 25. Presently we provide this support until they reach 21. This proposed change has the potential to more than double the number of young people the council

supports after leaving care at the age of 18. Therefore additional investment is needed in staffing so that the young people receive the required support.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Leaving care at 25	260	260	260	260	260

Unaccompanied asylum seeking children

In the past three financial years savings have been made in the council's placement budget, the money spent on providing homes for children and young people in care.

A saving target of £375,000 was previously agreed for 2017/18, however a continued rise in the number of unaccompanied children seeking asylum who we have a statutory duty to care for means this saving cannot be made. When this saving was agreed in 2012, the number of unaccompanied asylum seeking children arriving in the city was far lower and the recent spike could not have been predicted.

As a result additional investment is needed to provide placements for unaccompanied asylum seeking children in our care.

Implications past 2017/18 are difficult to predict at this stage as they will be influenced by government decisions on how unaccompanied asylum seeking children are transferred across the country and the extent to which the new council's new permanency service is able to provide more placements for children and young people.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Unaccompanied asylum seeking children	600	0	0	0	0

Communities

Communities is responsible for assessing the needs of all the city's residents and deciding on the right services to meet those needs. It undertakes all the people services commissioning for the council to ensure the services we provide or buy-in are the right services, delivered at the right time, for the right people, in the right place and at the right price to ensure we are giving real value for money. It also delivers a wide range of community and targeted services including:

- Housing and re-ablement
- Prevention and enforcement
- Youth and youth offending
- Early help services to support individuals, families and communities who don't need specialist services, but do need some help
- Drug and alcohol
- Domestic abuse
- Sexual health
- Community cohesion

The focus of the service is to identify difficulties early and provide services to stop these escalating.

Communities is also responsible for ensuring neighbourhood issues and concerns that impact on people's confidence or pride are resolved, including unauthorised traveller encampments, housing enforcement, entrenched environmental crime and community tensions.

SAVING/INVESTMENT - REVENUE

Managing demand - Digital Front Door project

The Digital Front Door project creates a new model for residents to access information and advice and to ensure they reach the right services first time. The project is based on the following key design principles:

- We will only ask people for any information once
- We will maximise any opportunity for the resident to self-serve
- We will ensure the process is resident-led and takes account of their views
- Resident information is consistent
- Wherever possible we will provide resolution for residents at the first point of contact by involving more experienced specialist staff
- Access will be available in the most appropriate locations for residents, including community centres and libraries

The project will enable residents to help themselves or resolve their own queries by re-designing and improving the way residents access the council and its services.

The Digital Front Door project will encourage residents to access information and services via our website first and foremost and, where that isn't practical, the telephone. This will involve creating an online customer account where people can log on and access services. Practically this will result in improved information and sign-posting to available services on the council's website.

The Front Door project will also simplify the way our residents make bookings, payments and appointments. By making these improvements it will free up more time for vulnerable residents to receive a better quality of service. We plan to give advice and guidance in order to promote the use of these self-serve methods.

An important point to make is that while digital solutions will not suit every individual, they could resolve high volumes of more basic enquiries from people who are able to, and choose to, use these methods. This will leave the council more time to focus on those who can't use digital methods or who have more complex needs. Access will also be available at community centres and libraries.

The savings will be generated by reducing demand on high cost services by resolving queries at the first point of contact and providing self-service methods for residents. The original proposal was approved as part of last year's budget. We now consider that we can increase this saving as follows:

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Managing demand - Digital Front Door project	-163	-794	-280	-280	-280

Investment is also needed in the project to be able to achieve the savings above, as outlined below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Managing demand - Digital Front Door project	115	325	0	0	0

APPENDIX 3

RESOURCES - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)

The Resources department consists of the following:

Financial services

- Financial planning and corporate accounting
- Finance and management accounting support to council departments
- Internal audit, Fraud and Insurance
- Serco Strategic Partnership (business support, shared transactional services, business transformation, procurement, customer services, finance systems, strategic property)
- Serco ICT partnership and Digital, including City Fibre – broadband partnership

Commercial group

- Amey Strategic Partnership which includes refuse collection, street cleaning, parks, trees and open spaces, building cleaning and passenger services
- Waste management and waste disposal including the Energy Recovery Facility
- Vivacity (culture, recreation and libraries)
- Westcombe Engineering
- Energy efficiency including our energy performance contract, placing solar panels on residents' roofs with Empower

Cemeteries, cremation and registrars

- Bereavement services
- Registration service

City Services and Communications

- City Services supports city centre retailers and oversees services from CCTV cameras and car parks to events such as the Perkins Great Eastern Run. It also manages the City Market.
- The Communications team supports all council departments by advising how best to explain their services to residents. It promotes the council through the media, writes communications strategies for major initiatives, produces press releases, marketing campaigns and manages the council's website and social media.

Regulatory services

- This team provides regulatory and licensing services such as trading standards, environmental health, health and safety, and enforcement teams who deal with issues such as noise nuisance and air quality.

SAVINGS – REVENUE

Cross Keys VAT shelter review

The city council transferred its housing stock to housing association Cross Keys Homes in 2004. Housing associations are at a disadvantage compared to local authorities because they are not able to recover VAT on their expenditure.

The VAT shelter agreement enables the VAT on capital works to housing that was transferred to Cross Keys to be reclaimed and the benefit split equally between the council and housing association.

It had been budgeted that this arrangement would end in 2014. However the external advice to Cross Keys has been that it will stay in effect for longer than thought. That means a total of £375,000 will be available to support the 2017/18 budget. Figures are dependent on the amount of capital works carried out by Cross Keys.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Cross Keys Homes VAT shelter agreement	-375	-200	0	0	0

Analytical and benchmarking tool

In the investments section below is a proposal is to make use of an analytical and benchmarking tool built for local government called CFO Insights. The online platform gives access to information on the financial performance, socio-economic context and service outcomes of every council in England, Scotland and Wales.

The database has been built in collaboration with the Chartered Institute of Public Finance and Accountancy, and provides the ability for the council to support effective decision making by comparing the performance and spend of council services and contrasting them with other councils.

The tool will better support the council to look for ways of making efficiencies and savings and to share in best practice provided by other councils which in turn should lead to budget savings and efficiencies. There is a savings target attached to using the analytical tool of £20,000 for 2017/18, increasing in the following two years.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Insights and analytics	-20	-40	-60	-60	-60

Minimum revenue provision

The council can borrow money to fund its capital investment programme. Capital borrowing funds investment in a range of assets across the city including roads and schools. The council does not borrow to fund day to day spending.

The cost of borrowing impacts on the council's revenue budget (day to day spending) as follows, similar to a typical repayment mortgage on a house:

- Interest payments on the loan
- Amounts set aside for the repayment of the loan – known as Minimum Revenue Provision (MRP)

As part of the 2016/17 budget it was agreed to change the repayment period for historic and supported borrowing debt. This involved aligning our debt repayment with the life of those assets, repaying over 42 years instead of 25.

Following this initial review of debt repayment and feedback from the council's external auditors, a revised methodology for calculating the weighted asset life has been devised which has enabled the council to extend the repayment period from 42 to 46 years. These changes were approved in time for inclusion in the 2015/16 accounts, which have been approved by the auditors.

This will increase the total amount of interest over the full term of the loan but in the current financial climate it will protect frontline services for residents.

Guidance from the Department of Communities and Local Government says that aligning MRP to the lifetime of assets represents a prudent approach. It means that council taxpayers are being charged each year in line with the lifetime of assets and prevents current taxpayers meeting the cost of future usage.

The council believes this is fairer for residents as it would ensure that everyone who uses those assets contributes to them, rather than today's taxpayers subsidising future users. Budget planning would ensure that each year there was sufficient budget available to cover the costs. Any saving on the annual MRP charge however is partially offset by an increased interest cost due to paying the debt off over a longer period.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Minimum revenue provision	-149	-149	-149	-149	-149

Inflation review

The council has reviewed the level of inflation assumed in its Medium Term Financial Strategy. The saving below is based on an assumed lower level of inflation, however the council will need to manage its budget and contracts to ensure this level of saving is achieved.

One of the issues that may impact on this is the nationally-set pay award for staff. The savings below are based on the presumption of a one per cent pay award being agreed for staff.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Inflation review	-1,057	-1,126	-1,161	-1,118	-1,531

Collection fund surplus

There will be growth in council tax income in the current year above predictions because of the city's rising population. This has identified that we can expect to receive a further £36,000 in 2016/17, which can be rolled forward to protect services during 2017/18. The council is required to finalise the council tax collection fund position by mid-January so any further updates will be included in phase two of the budget setting process.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Collection fund surplus	-36	0	0	0	0

Internal audit

The council has some pressures in internal audit due to the loss of income from a partnership (this is outlined in more detail in the next section). To offset the pressure from the loss of income, the council has looked at options to make efficiencies within the service. These proposals include selling additional audit services to schools. The efficiencies are expected to meet the shortfall mentioned below, so the loss of income is cancelled out.

Issue	2017/18 £k	2018/19	2019/20	2020/2 1	2021/22
Internal Audit, Fraud and Insurance	- 52	- 52	-52	-52	-52

INVESTMENTS - REVENUE

Impact of academisation on business rates

Just over a quarter of the city's schools are academies meaning they run independently of the city council and receive funding directly from government. More and more schools are choosing to become academies.

Local education authorities pay for business rates on their schools out of the dedicated schools grant from central government. However, academies receive an 80 per cent discount on their business rates.

With every school that converts to an academy, the council sees a reduction in the amount it receives in business rates and therefore won't receive the amount that has been budgeted for in coming years.

These figures are based on the one school that we know is transferring to academy status, and then one additional school becoming an academy each year, so the figures could go up or down.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Impact of academisation on business rates	70	96	122	148	174

Analytical and benchmarking tool

This proposal is to invest in the use of analytical and benchmarking tool CFO Insights mentioned in the section above to deliver efficiencies and savings for the council.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Insights and analytics	10	10	0	0	0

Shrub cutting and park attendants

In the 2014/15 budget it was agreed to reduce the frequency of shrub cutting so that 50 per cent of the city received a cut one year and the remaining 50 per cent the following year. Complaints have been received from residents across the city about the size of shrubs and the impact this is having on the appearance of the city. Therefore it's proposed that annual shrub cutting resumes for the entire city at a cost of £79,000.

In addition, it was agreed in the same budget to remove attendant cover in Central and Itter parks during the winter months. This has led to complaints about an increase in anti-social behaviour and therefore an investment of £48,209 is proposed to reinstate attendant cover in both parks during the winter season. The attendants would also carry out maintenance and cleansing.

Given the need to hit the winter season for shrub cutting and to cover the parks, the council will look to progress this to ensure it is in place for the 2016/17 winter season.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Investment in shrub cutting and park attendance	127	127	127	127	127

Internal audit partnership

The council's internal audit function currently runs a shared service with Cambridge City Council and South Cambridgeshire District Council. The two district councils are working more closely with Huntingdonshire District Council on a range of services, including considering internal audit.

Peterborough did not consider that a four council partnership would be workable and is likely to cease the current arrangement in March 2017. As such there will be a loss of income from those other councils.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Internal audit partnership	52	52	52	52	52

APPENDIX 4**GROWTH AND REGENERATION - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

Peterborough is one of the fastest growing cities in the country. The Growth and Regeneration directorate is in charge of driving that growth and overseeing major regeneration projects in the city.

Growth and regeneration leads to additional income for the council through the New Homes Bonus and business rates.

The Growth and Regeneration directorate consists of the following:

Peterborough Highway Services

This partnership with Skanska, the council's highways contractor, is responsible for maintaining and improving our roads and street lights, gritting roads in the winter, public transport and planning the future of transport in Peterborough and its surrounding villages.

Planning services

Peterborough City Council was named Local Authority Planning Team of the Year at the 2015 Awards for Planning Excellence. The awards are run by the Royal Town Planning Institute (RTPI).

This service includes surveyors, planners and other technical teams who work with residents and businesses to ensure new development fits with the city's growth plans. The service also works with schools and local communities to help make our city greener and is responsible for our environment capital aspiration.

In recent years the planning team has started to generate income through selling services, such as planning policy and development control expertise, to other local authorities throughout the UK. In total, the planning service now generates approximately £500,000 per year which is used to reduce the running cost of the department. Last year we also formed a joint planning service with Fenland District Council.

Opportunity Peterborough

The council's wholly-owned company Opportunity Peterborough supports our agenda to grow the city by 20,000 jobs and 25,500 houses by 2026, by attracting inward investment and marketing the city to businesses.

Growth joint venture company – Peterborough Investment Partnership

This partnership is supporting the regeneration of city centre sites in the council's ownership including Fletton Quays (also known as South Bank/Riverside Opportunity Area).

Property Services

Corporate property including asset disposals and our property joint venture NPS Peterborough

SAVINGS – REVENUE**Concessionary bus fares**

Older residents, or those with specific disabilities, can access free travel on buses. Across the city there are approximately 30,282 residents who hold concessionary fare passes. The council has to reimburse bus companies for these concessionary fares.

Analysis of the number of concessionary fare journeys taking place each year was undertaken in 2013 to estimate future need up to 2024, taking into account the growth of the city and an increase in the number of people eligible for a bus pass. As a result the budget for concessionary bus fares is scheduled to increase by £200,000 per year until 2023/24.

However, the use of bus passes has been lower than predicted, partly because the age for concessionary bus pass eligibility has increased in line with the pensionable age for women. Therefore the savings reflect the actual level of demand for concessionary bus travel. This saving will not impact on people's ability to travel for free.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Concessionary bus fares	-686	-838	-978	-1,118	-1,258

Highways efficiency savings

Peterborough Highways Services is a ten year partnership with Skanska to provide highway maintenance services. At the start of the partnership in October 2013, efficiency savings totalling £7.5m over ten years were agreed, totalling £750,000 per year.

As the partnership has evolved, further efficiency savings have been identified, with no reduction in service, including £180,000 already removed from budgets in 2016/17, and a further £120,000 identified in 2017/18. Although some of these are one-off, it is proposed that this level of efficiency can be built into the budget on an ongoing basis in the expectation of ongoing efficiencies.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Highways efficiency savings	-120	-120	-120	-120	-120

Highway maintenance

As part of the 2015/16 budget, it was agreed to reduce to the revenue budget spent on maintaining residential roads and footpaths by £450,000 until October 2017. This meant that only those schemes which are necessary to ensure the safety of the public have been carried out. It is proposed that this reduction in the budget is extended until March 2022.

In addition, preventative work has been undertaken to ensure surfaces are maintained to last as long as possible. This will also be extended.

Additional capital investment of £250,000 is therefore being proposed to extend the council's preventative programme to maintain lower usage residential roads which are showing signs of deterioration. Micro-asphalt treatments would be applied to the existing road surface to slow the deterioration of the roads and prevent the need for more costly resurfacing in the short-term. Typical costs for a micro-asphalt treatment are £10 per metre squared as opposed to £30 - £40 per metre squared for resurfacing.

The table below shows the overall saving of the proposal.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Highway maintenance- Roads and footpaths maintenance	-240	-450	-450	-450	-450
Highway maintenance cost of delivery (capital investment cost)	5	21	37	53	69
Highways maintenance - overall savings	-235	-429	-413	-397	-381

Capital receipts update

In line with its Asset Management Strategy, the council sells any surplus assets and uses the income to reinvest in services. The previous asset management plan assumed that a number of assets would be sold during 2015/16 and the funding transferred to the Grant Equalisation reserve mentioned previously in this document. These assets remain unsold, however the plan is to sell them in 2016/17 and use that income to support the 2017/18 budget.

Where there remains ongoing discussion about the future of assets, these are not included in the assumed sales income below. A further update, including the final list of planned disposals, will be included in phase two.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Capital receipts update	-3,864	0	0	0	0

INVESTMENTS - REVENUE

North Westgate regeneration

North Westgate is a site in the city centre, close to the train station. It was first identified as a major redevelopment opportunity by the Peterborough Development Corporation in the 1971 City Centre Plan. Since then a number of schemes have been proposed by developers but not yet brought forward. The council is demonstrating that where it takes a lead role it can unlock regeneration potential, including at Fletton Quays. A similar approach is now proposed for North Westgate.

One of the key issues hindering the site's redevelopment is complex and multiple land ownership, with the council currently having little ownership interest. By the council working commercially with key landowners, assembling land and property (if necessary through compulsory purchase) and leading the redevelopment process, there is a much greater chance that the potential of North Westgate will be realised.

Over three years from 2017/18 it is proposed that £15m capital funding investment will be made available to support land assembly and take forward a scheme. There will be a revenue cost to the council as a result of borrowing this money to invest as outlined below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
North Westgate regeneration	45	135	203	225	225

APPENDIX 5**GOVERNANCE - SERVICE IMPLICATIONS (SAVINGS/INVESTMENTS)**

The Governance department consists of:

Legal and Democratic services

This team provides legal services to all council departments as well as Rutland County Council, Fenland District Council, East Cambridgeshire District Council and Corby Council. It supports Full Council, Cabinet and all committee meetings, civic services to the Mayor, support services to councillors as well as a range of other related services. It also manages elections and the electoral register.

Human Resources and organisation development

The Human Resources team aims to make the council the employer of choice and improve the council's performance through its people. It works with managers in recruiting, developing, managing and engaging employees to produce a skilled, committed, flexible and diverse workforce. HR provides services to the council which include employee relations, policy and reward, occupational health, workforce development and training and development. HR is also responsible for internal communications and employee engagement.

Performance and Information

This team provides a central performance management and business intelligence function, oversees information governance and coordinates information requests. It is responsible for data protection and provides the Caldicott Guardian role and the Senior Information Risk Officer. The team also provides systems support for the social care case records systems.

SAVINGS – REVENUE**Alternative governance no longer required**

In July 2015 the council agreed to adopt an alternative form of governance to take effect from the Annual Council meeting in 2016. A decision was taken at the Annual Council meeting not to proceed with the new arrangements, thereby saving the council £50,000.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Alternative governance	-50	-50	-50	-50	-50

Shared chief executive with Cambridgeshire County Council

In June councillors agreed to make permanent the shared chief executive arrangement with Cambridgeshire County Council. The agreement is that both authorities will split her salary and additional costs. Therefore this will save the council £110,000 in 2017/18 and beyond.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Shared chief executive	-110	-110	-110	-110	-110

INVESTMENTS - REVENUE**Car lease arrangements**

In 2014/15 a scheme was introduced to enable employees to lease cars via the council through a salary sacrifice scheme. It provides savings to both the employee as it is tax deductible and to the employer through reduced National Insurance contributions.

The take-up of the scheme has been lower than anticipated and as a result it will not generate the projected level of saving for the council from National Insurance contributions.

As a result there is a need to make an investment to meet the shortfall in expected income.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Car lease arrangements	54	54	54	54	54

Legal services recruitment and retention of staff

In recent years the council has lost a number of long standing and experienced lawyers to neighbouring local authorities who are paying higher salaries.

By way of an example, LGSS which is a shared service jointly owned by Cambridgeshire County Council, Milton Keynes Council and Northamptonshire County Council, pays £56,000 for a principal lawyer. The equivalent role in Peterborough would be a senior lawyer, which attracts a salary between £40,619 and £44,322. A lawyer position at LGSS is £48,000, compared with between £33,106 and £40,619 in Peterborough.

The current team is well established and has built its reputation resulting in the award for Local Government Legal Team of the Year at the 2015 Lawyers in Local Government Awards. To maintain a stable legal service which can meet the growing needs of the council, it is proposed to increase lawyer salaries.

If lawyers chose to leave for other organisations, it could be difficult for the council to recruit experienced staff when other organisations are offering higher salaries. In this instance the council would have to spend more money using external legal companies.

This proposal seeks to increase the salary of each lawyer by one pay grade above, costing £132,525 in total. This will not match the salaries being paid elsewhere, but it is hoped it will provide enough of an incentive to encourage staff to remain working in Peterborough.

The council's legal service has an external income budget of £350,000, which is delivered through providing legal services to other local authorities, including Rutland County Council, East Cambridgeshire District Council, Corby Borough Council and most recently Fenland District Council.

The fee levels will be reviewed to ensure that the charges remain competitive while still providing an appropriate margin on costs. Where fees can be increased, this will reduce the pressure outlined below.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Legal services recruitment and retention of staff	133	133	133	133	133

Member allowances

At the full council meeting on 12 October 2016 councillors approved a number of recommendations following a review of the members' allowance scheme by the Independent Members' Allowance Panel. To implement these recommendations there will need to be investment in the budget as outlined below.

The changes include an increase in the basic allowance from £7,962.08 to £10,100 and for special responsibility allowances to be paid as a percentage of the leader's allowance, as opposed to a percentage of the basic allowance.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Member allowances	186	186	186	186	186

There should also be some savings arising (e.g. through an increase in car parking fees for members) so the final cost is likely to be less than the figure quoted above.

APPENDIX 6 **STAFF IMPLICATIONS**

This section outlines any issues that affect the costs of staffing. There will be no impact on staff numbers as a result of the phase one proposals.

Cost of local government pensions

All staff on local government terms and conditions are entitled to join the local government pension scheme. The overall scheme is the same across the country and government determines the level of benefits and the level of contributions that employees make to the scheme.

Each fund is assessed every three years by an actuary to assess its position and its ability to meet future liabilities. The assessment of the Cambridgeshire fund is currently underway. The findings of the actuary will be reported later this year and will come into effect from April 2017.

If further funding is needed, then given that government determines the level of benefits and the employee contributions, then the only element that can vary is the employer contributions paid by councils. Whilst measures introduced by government (later retirement, removing final salary arrangements, employees paying more) have reduced some cost pressures, some further measures also added cost pressures within the scheme (reducing accrual requirements for example).

As such it is expected that there will be cost pressures from the Local Government Pension Scheme across the country and locally. The table indicates the potential pressures from 2017/18 onwards. The actual position will be confirmed by the actuary early in the new year.

Issue	2017/18 £k	2018/19	2019/20	2020/21	2021/22
Inflation review (pensions)	500	1,250	2,000	2,250	2,500

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